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August 30, 2018

Mr. Scott Farmer  
Executive Director  
North Carolina Housing Finance Agency  
3508 Bush Street  
Raleigh, NC 27609-7509

**Re: Draft 2019 QAP comments**

Mr. Farmer:

Thank you for the opportunity to provide comments on the Draft 2019 QAP. Development Ventures Incorporated (DVI) is the developer instrumentality of the Housing Authority of the City of Durham (DHA). DHA is the largest affordable housing provider in the City of Durham.

DVI respectfully suggests North Carolina Housing Financing Agency consider the following:

1. **Section IV.D.1 (a) - Development Experience:** Alter the requirement of the principal to have successfully developed one North Carolina 9% or six separate 9% projects nationwide totaling over 200 + units in order to be eligible to apply for tax credits. As an alternative, we suggest that the barrier to entry should be six separate 9% projects or 9% projects totaling 200+ units. Additionally, there should be an exception for non-North Carolina developers partnering with local Public Housing Authorities (PHA) in their redevelopment efforts, especially in light of PHAs efforts to redevelopment its properties through the Rental Assistance Demonstration (RAD) program.

The RAD program is a U.S. Housing and Urban Development program that gives a unique opportunity for PHAs to leverage their assets by maximizing the Low Income Housing Tax Credit (LIHTC) tool. With PHAs already serving the largest percentage of extremely low-income families (< 30% of AMI), and the need to deconcentrate low-income and disabled residents by creating mixed-income communities, the LIHTC tool is one of the only tools to create affordable housing for these populations.

2. **Section IV.A.1 (b) – Criteria for Site Score Evaluation:** First, create poverty rating as a scoring item instead of a tiebreaker. Second, poverty rating supplemental points should be available, specifically to projects in revitalization areas, as a means of making up for high poverty in those areas. And third, a replacement tiebreaker would need to be proffered.

The chart below suggests how poverty rating may be incorporated in the evaluation.

	QAP Section	Suggested Change
1	<b>Section IV.A.1(b)</b> Criteria for site score evaluation	<p><b>POVERTY RATING (MAXIMUM 3 POINTS)</b></p> <p><b>Excellent:</b>  <b>3 points</b> if the project is in a census tract with the percentage of families below the poverty level at 5% or lower.</p> <p><b>Good:</b>  <b>2 points</b> if the project is in a census tract with the percentage of families below the poverty level at 15% or lower.</p> <p><b>Fair:</b>  <b>1 point</b> if the project is in a census tract with the percentage of families below the poverty level at 25% or lower.</p> <p><b>Poor:</b>  <b>0 points</b> if the project is in a census tract with the percentage of families below the poverty level at higher than 25%.</p> <p><b>Rationale:</b>            This proposed rule is modeled after the existing "Neighborhood Characteristics" points item found in section IV.A.1(b)(i) of the draft 2019 QAP. It is designed to incorporate poverty rating into the overall evaluation of the site suitability instead of as merely a tiebreaker.</p>
2	<b>Section IV.A.1(b)</b> Supplemental points for Revitalization projects.	<p>3 points if the project serves as a component of an overall public housing revitalization effort.</p> <p><b>Rationale:</b>            This proposed rule is modeled after the bus/transit points which can presently be used to supplement sites that otherwise could not maximize site amenities points. Here, we are suggesting that NCHFA implement this rule in part to acknowledge that many public housing revitalization sites are likely to have high poverty ratings and to also prevent such projects from being automatically excluded as a result of that high poverty.</p>
3	<b>Section IV.F.6</b> Tiebreaker criteria	<p>The following will be used to award tax credits in the event that the final scores of more than one project are identical:</p> <p><b>First Tiebreaker:</b> The project requesting federal tax credits per unit that is closest to the average credit per unit for that region.</p> <p><b>Rationale:</b>            This is modeled after the existing "Credits Per Unit Average" points item found in section IV.F.2. of the draft 2019 QAP. We are suggesting that this be removed as a points item and instead be used to replace poverty rating as the first tiebreaker.</p>

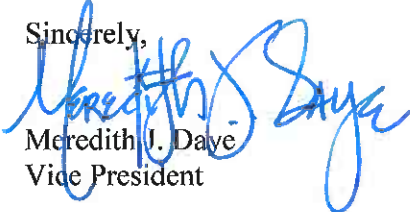
3. **Section IV.A.1 (b).iv – Site Bonus Points:** Restore the up to 2 points for most desirable real estate investment and most appropriate for housing amongst applications. DVI will

pursue develop of several projects that are desirable real estate opportunities and suitable for housing. In the City of Durham, with rising rents and real estate commanding some of the state's highest prices, developing affordable housing in these areas will offer housing in areas of opportunity that is in high demand as well satisfy social, diverse, and equitable goals supported by the Durham City Council.

4. **Section III.B.5 – Application, Allocation, Monitoring and Penalty Fees:** Allow the monitoring fee for projects utilizing income averaging or in which the Agency is the bond issuer to pay a monitoring at the same amount as other projects (\$900). Income averaging is a strategy that will assist projects to serve households that are excluded from residing on LIHTC projects, prior to the change. Furthermore, since income averaging is part of a federal ruling, and on many LIHTC projects Agencies serve as the bond issuer, by increasing the monitoring fee for such projects, this may create financial viability implications.
5. **Section II.B.2 (b).v – Redevelopment Projects:** In lieu of Rental Assistance Demonstration (RAD) redevelopment projects receiving an allocation based on the scenario listed, provide RAD redevelopment projects with a priority and establish a set-aside in the QAP, especially RAD projects that are part of a recognized comprehensive neighborhood revitalization plan.
6. **Accept and award bond/4% LIHTC applications on a monthly rolling basis:** Instead of only accepting bond/4% LIHTC applications on a rolling basis and awarding biennially (July and December), we suggest NCHFA considers accepting **and awarding** bond/4% LIHTC applications monthly. This allows more flexibility to schedule multiple projects, seek and obtain financing, and stagger projects to be in different stages instead of numerous projects starting simultaneously. With multiple projects starting concurrently, a strain is placed on limited resources for oversight and implementation of projects.

DVI would appreciate your favorable consideration of these comments. We thank NCHFA for the opportunity to provide comments on the draft QAP. We look forward to a strong partnership with NCHFA in the development of affordable housing in Durham, North Carolina.

Sincerely,



Meredith J. Dave  
Vice President

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